

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII**

In the Matter of

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate the  
Implementation of Feed-in Tariffs

Docket No. 2008-0273

**SEMPRA GENERATION OPENING STATEMENT OF POSITION ON THE DRAFT  
FEED-IN TARIFF PROPOSAL SUBMITTED BY THE HECO COMPANIES  
AND THE CONSUMER ADVOCATE**

**AND**

**CERTIFICATE OF SERVICE**

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February 25, 2009

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**I. INTRODUCTION AND SUMMARY**

In accordance with the schedule set forth in the Commission's Order Approving The HECO Companies' Proposed Procedural Order, As Modified, dated January 20, 2009, Sempra Generation hereby provides its Opening Statement of Position on the *Joint Proposal on Feed-In Tariffs of the HECO Companies and the Consumer Advocate* filed on December 23, 2008 and the draft Feed-In Tariff (FiT) Sheets circulated to the parties by the HECO Companies on January 15, 2009. The joint proposal and draft tariff sheets are referred to hereafter as the "HECO/CA" proposal. Sempra Generation also responds herein, to a limited extent, to the alternative proposal that many of the intervening parties, led by the Blue Planet Foundation, are submitting today for the Commission's consideration. Sempra Generation refers to this proposal hereafter as the "Blue Planet" proposal, while recognizing that the proposal is actually the product of many parties in addition to the Blue Planet Foundation.

In general, Sempra Generation believes that FiTs can be valuable tools for the addition of small-scale distributed resources that add value to the grid but cannot economically compete in a utility company's competitive solicitations because the scale of the project does not justify the transaction costs associated with participation in a competitive solicitation. The initial tariff set forth by the HECO Companies and the Consumer Advocate is a reasonable start in many respects, although Sempra Generation believes that the draft does not go far enough to allow for the interconnection of renewable generation resources, particularly for biomass and other dispatchable generation resources that, unlike intermittent resources, could displace fossil fuel generation and can help the utility better integrate intermittent wind and solar resources into its portfolio.

The Blue Planet proposal addresses this and other shortcomings in the HECO/CA proposal, but many of the provisions in Blue Planet proposal (for example, the pricing terms) appear to lack evidentiary support at this point in the proceeding. Some of the differences between the HECO/CA proposal and the Blue Planet proposal also highlight the tension between developer interests and ratepayer interests – tensions that the Commission will need to balance and resolve in its final order.

Sempra Generation remains primarily concerned that the parties and the Commission not adopt a FiT that will have the effect of undermining competitive procurement of generation by the HECO Companies. Competition is the best tool for disciplining prices and ensuring that ratepayers reap the benefits of securing the lowest possible price and the best possible terms for purchased power. Only those projects that are too small to be expected to participate in a competitive solicitation should be eligible for a FiT – unduly relaxing the requirements for competitive bidding can only serve to disadvantage ratepayers in the long run.

## II. STATEMENT OF POSITION

The HECO/CA proposal states that it is predicated on four principles, namely it is targeted toward projects that (in HECO's judgment) (1) Do not require complex environmental and land use permitting which may impose significant uncertainties in project development timeframes and costs, (2) Do not typically, by virtue of their operating characteristics and size relative to the utility system, require extensive and lengthy interconnection studies or the need for significant interconnection requirements, (3) Utilize technologies for which complex financial accounting issues relative to utility power purchase contracts have already been addressed, and (4) Have already been, or are currently in the process of being, implemented in Hawaii in commercial (non-R&D) application. Sempra Generation is unclear as to why, in the case of principle (1), HECO believes it is in a better position than the project developer to assess the difficulty, costs and timeframes for project development and whether the project will be economically viable under FiT pricing given those constraints. The very nature of a FiT makes project viability primarily the concern of the renewable developer, because under the structure of a FiT the generator is only able to get the tariff price if it actually produces electricity. Since generators will generally continue to be responsible for the costs of interconnection to the HECO Companies' grids, they will be at risk for costs associated with interconnecting projects that, in the end, are not economically viable under FiT pricing for whatever reason. Because HECO has proposed both locational and aggregate caps on the amount of generation eligible for a FiT contract, Sempra Generation believes it should be left to the developer to complete the permitting, land use and other activities necessary to bring the project to completion in a timely and cost-effective manner if it wishes to participate in the FiT program.

Given the experience of Sempra Generation in California and the significant rate of project failure in renewables procurement, Sempra Generation would encourage HECO to focus

on operational issues and the ability of the transmission and distribution systems to accommodate the high level of renewables penetration envisioned in Hawaii state policy, rather than trying to unduly influence which renewable technologies are successfully participate in a FiT program.<sup>1</sup> To that extent, the initial ineligibility of technologies such as biomass to participate in the FiT seems misplaced. Unlike wind and solar power, biomass is not an intermittent resource, but is capable of performing as an intermediate, dispatchable resource that can provide ancillary services, effectively displacing fossil-fueled generation without imposing risks to system reliability. Also, biomass has the potentially to provide significant economic benefits to the local economy. Biomass and biogas fueled projects may provide increased revenue to local farmers and others involved in agriculture as their crops or agricultural waste may have some economic value as fuel. Despite the valuable contributions that biomass generation could make, the HECO/CA proposal does not allow for biomass resources to participate until the first update to the FiT program, as long as two years after the program is launched. Sempra Generation believes that biomass should be given a higher priority and permitted to participate from the beginning of the program, and thus supports the Blue Planet proposal in that regard.

While the Blue Planet proposal is much more ambitious than the HECO/CA proposal in terms of the size of potential projects, the FiT pricing and other issues, the provisions it offers need to be analyzed in light of the HECO system. Sempra Generation believes that, aside from being appropriate for projects too small to compete in utility competitive solicitations, FiTs are appropriate only for projects that are not so large as to adversely impact utility planning,

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<sup>1</sup> Sempra Generation has a proven track record of project success. Sempra Generation has the technical and engineering expertise, the experience designing, building and operating complex energy projects and the financial resources to bring our development projects to a successful conclusion. Sempra Generation notes that our 10 MW Solar PV system currently under contract for delivery of energy to Pacific Gas and Electric Company is operational and currently delivering energy. Development continues with respect to our 250 MW wind energy project under contract to Southern California Edison Company.

operations, and/or reliability, considering the size of the electric utility, based on peak load, or planning reserve margin. There has been no such analysis as yet to support the provisions of the Blue Planet proposal. Because there has been no such analysis, Sempra Generation does not yet have a position on the size limits, prices and other terms of the Blue Planet proposal. Again, it will be up to the Commission to set prices and terms that are fair both to the developer and to ratepayers.

Finally, the Blue Planet proposal provides that:

Any certificate, credit, allowance, green tag, or other transferable indicia or environmental attribute, verifying the generation of a particular quantity of energy from a Renewable Energy Source, indicating the generation of a specific quantity of Renewable Energy by a Renewable Energy Generating Facility, or indicating a Renewable Energy Generator's ownership of any environmental attribute associated with such generation, is the property of the Renewable Energy Generator and freely assignable by the Renewable Energy Generator.

Sempra Generation believes that this issue merits consideration by the Commission and, whatever policy the Commission decides to adopt, that policy should be compensatory to the developer. In other words, if the Commission determines that the renewable "attributes" belong to the utility as purchaser, it should also ensure that the pricing under the FiT reflects true value for those attributes.

Respectfully submitted,



Theodore E. Roberts

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February 25, 2009

## **CERTIFICATE OF SERVICE**

The foregoing **SEMPRA GENERATION OPENING STATEMENT OF POSITION ON THE DRAFT FEED-IN TARIFF PROPOSAL SUBMITTED BY THE HECO COMPANIES AND THE CONSUMER ADVOCATE** was served on the date of filing by electronic mail to those parties who provided e-mail addresses, and by U.S. mail, postage prepaid, and properly addressed to the following parties:

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Dated at San Diego, California, this 25<sup>th</sup> day of January, 2009.

  
\_\_\_\_\_  
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February 25, 2009

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PUBLIC UTILITIES  
COMMISSION

RE: Docket No. 2008-0273

Dear Docket Office:

Enclosed please find an original and eight (8) copies of the **SEMPRA GENERATION OPENING STATEMENT OF POSITION ON THE DRAFT FEED-IN TARIFF PROPOSAL SUBMITTED BY THE HECO COMPANIES AND THE CONSUMER ADVOCATE AND CERTIFICATE OF SERVICE**. This is being delivered via Federal Express priority overnight mail.

Please return one conformed copy in the enclosed self-addressed, postage paid envelope. If you have any questions or concerns regarding this submission, please contact the undersigned at (619) 699-5111 or via E-mail at [troberts@sempra.com](mailto:troberts@sempra.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Theodore E. Roberts".

Theodore E. Roberts  
Attorney for Sempra Broadband

Encl.